provides, *inter alia,* for a legal and institutional framework to eliminate revenue deficit by 31.03.2006, reduce fiscal deficit for a year to not more than 2% of the estimated GDP for that year within a period of five years commencing 1.4.2001 and contain the growth of public debt as a proportion of GDP within a timeframe.

CAG's remarks on fiscal deficit

203. SHRIRUMANDLA RAMACHANDRAIAH: Will the Minister of FINANCE be pleased to state;

(a) whether the deteriorating finances of the Government in the nineties have pushed up effective interest rates by over 2.5 per cent from 8.02 per cent in 1990-91 to 10.61 per cent annually in 1999-2000;

(b) if so, whether the Comptroller and Auditor General has warned Centre on widening fiscal deficit;

(c) if so, what are the main warnings issued by the CAG;

(d) whether Government has examined all of them; and

(e) if so, what are the steps Government propose to take to meet the situation?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PAITL): (a) to (c) According to the Report of the Comptroller and Auditor General (CAG) of India on the Accounts of the Union Government (No. 1 of 2001), the effective interest rate on Government borrowing went up from 8.02 per cent in 1990-91 to 10.61 per cent in 1999-2000. As per the Report cited above, effective interest rate is the ratio of interest payment during the year to outstanding debt, including external debt at historical exchange rates, at the beginning of the financial year. Hie Report has expressed concern over the steady deterioration in the quality of fiscal deficit. Nearly sixty per cent of it is being used for current (revenue) expenditure. But even the remaining part gives little satisfaction as the capital expenditure financed by it gives returns much lower than the cost of borrowing.

(d) and (e) It is the constant endeavour of the Government to contain fiscal deficit of the Centre and a comprehensive legislation in this regard was introduced in the Lok Sabha in December 2000. The Fiscal Responsibility and Budget Management Bill, 2000, seeks, *inter alia,* to reduce the fiscal deficit The Bill is currently before the Standing Committee of Finance.